

WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, DC

ORDER NO. 11,561

IN THE MATTER OF:

Served September 5, 2008

Investigation of Prescription of an )  
Interstate Taxicab Fuel Surcharge )  
for WASHINGTON FLYER Taxicabs )

Case No. MP-2008-169

This proceeding was initiated on July 1, 2008, in Order No. 11,445 in response to comments filed by the Metropolitan Washington Airports Authority (MWAA) in another proceeding.<sup>1</sup> The purpose of this proceeding is to determine whether the Commission should prescribe a fuel surcharge for interstate trips in Washington Flyer taxicabs.

**I. JURISDICTION AND BACKGROUND**

The Washington Flyer name and insignia are displayed on taxicabs operated by three companies, which provide on-demand taxicab service originating at Washington Dulles International Airport (Dulles). These companies are Dulles Taxi Systems, Inc. (DTS), Dulles Airport Taxi, Inc. (DAT), and Checker Airport Taxi, Inc. (CAT). Each of these companies has signed an agreement with MWAA, the operator of Dulles, to provide such service.

The Commission has jurisdiction over the rates, charges, regulations, and minimum insurance requirements for interstate taxicab trips in vehicles seating nine or fewer persons, where both the origin and destination are within the Metropolitan District.<sup>2</sup> The Metropolitan District includes Dulles.<sup>3</sup>

Interstate taxicab rates prescribed by the Commission shall be reasonable.<sup>4</sup> The fare or charge for taxicab transportation may be calculated on a mileage basis, a zone basis, or on any other basis approved by the Commission.<sup>5</sup> This language is broad enough to include a fuel surcharge.<sup>6</sup>

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<sup>1</sup> See *In re Airport Access Fee Surcharge*, No. MP-08-125, Order No. 11,444 (July 1, 2008).

<sup>2</sup> Pub. L. No. 101-505, § 1, tit. II, art. XI, §§ 1(b), 18(a), 104 Stat. 1300, 1304, 1308, (1990) [hereinafter Compact] (codified at D.C. CODE ANN. § 9-1103.01 (2007); MD. TRANSP. CODE ANN. § 10-203 (2007); & VA. CODE ANN. §§ 56-529, 530 (2007)).

<sup>3</sup> Compact, tit. II, art. I.

<sup>4</sup> Compact, tit. II, art. XI, § 18(a).

<sup>5</sup> Compact, tit. II, art. XI, § 18(b).

<sup>6</sup> *In re Interstate Taxicab Fuel Surcharge*, No. MP-05-049, Order No. 8778 at 2 (June 15, 2005).

The current interstate rate for trips in Washington Flyer taxicabs were approved by this Commission on January 6, 2006, and took effect on February 5, 2006.<sup>7</sup> Those rates were based in part on an average price of \$2.26 for a gallon of regular gasoline in the Metropolitan Area on November 17, 2005.<sup>8</sup> According to the American Automobile Association, the average price of regular gasoline in the metropolitan area has since risen to \$3.61 per gallon, as of August 26, 2008.<sup>9</sup> This represents an increase of 60 percent in the cost of fuel, one of the primary inputs into providing taxicab service.

The Commission solicited public comments in this proceeding by publishing notice in the Washington Times on July 10, 2008, and by posting a copy of Order No. 11,445 on the Commission's website. The Commission also provided notice of this proceeding via e-mail to taxicab regulators from various jurisdictions in the region.

## **II. ANALYSIS**

To compensate Washington Flyer drivers for increased expenses resulting from the recent increase in gasoline prices, MWAA recommends adding a \$2.50 per trip surcharge to the meter rate for the first quarter mile for a six month period.<sup>10</sup> After this period, MWAA advocates permanently increasing the Washington Flyer mileage rate by a commensurate amount.

Citing an average gasoline price of \$3.75 per gallon, MWAA estimates that Washington Flyer drivers paid \$15.61 extra each day for fuel in May, 2008. MWAA estimates that Washington Flyer taxicabs provide five to six trips per day, so that a \$2.50 per trip surcharge would compensate drivers for their additional daily expenses.

However, MWAA's comment does not specify what baseline gasoline price level was used to determine how much daily gasoline expenses have increased. Furthermore, MWAA did not provide an estimate of the total number of miles driven per day (or per paid fare) by Washington Flyer taxicabs, or the fuel mileage of those vehicles. Therefore, we cannot calculate from MWAA's comments the additional fuel expense borne by Washington Flyer taxicab drivers per trip, based upon current prices.

The Commission has received three comments, all in favor of adopting a temporary \$2.50 per trip fuel surcharge, to be followed by an increase in the mileage rate as proposed by MWAA.

A comment filed by DAT cites a letter dated March 28, 2008, in which DAT estimated that the average Washington Flyer taxicab consumes

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<sup>7</sup> *In re Interstate Taxicab Rates and Charges*, No. MP-05-132, Order No. 9240 (Jan. 6, 2006).

<sup>8</sup> *Id.* at 3.

<sup>9</sup> <http://www.fuelgaugereport.com/DCmetro.asp>.

<sup>10</sup> See Order No. 11,444.

15 gallons of gasoline per day. Based upon DAT's estimate, it can be determined that the average Washington Flyer taxicab consumed approximately \$20.25 more in gasoline on August 26, 2008, than when the current rates were adopted in 2006.<sup>11</sup> Allocating this cost increase over MWAA's estimated five to six trips per day would require a per trip fuel surcharge of \$3.38 to \$4.05 to fully compensate drivers for increased fuel costs.

CAT's comment indicates support for a temporary \$2.50 fuel surcharge followed by a permanent mileage rate increase, citing "rapidly increasing gas prices." However, CAT's comment does not provide enough information to determine how much the cost of fuel per Washington Flyer trip has increased since the current rates took effect in 2006.

DTS has also filed a comment supporting a \$2.50 fuel surcharge followed by consideration within six months of an increase in the mileage rate that would supplant the surcharge. DTS states that "the average [Washington Flyer] trip is approximately 20 miles in length. Additionally, . . . there are relatively few opportunities for return trips to Dulles, so that nearly 90% of the trips from Dulles result in a 'deadhead.'" DTS also states that "the average Washington Flyer taxi trip consumes three gallons of gasoline."

DTS's comments indicate that on average, Washington Flyer taxicabs are driven 36.4 miles for each paid fare.<sup>12</sup> Based upon DTS's estimate of 3 gallons of gasoline used per trip, the average Washington Flyer taxicab trip required approximately \$4.05 more worth of fuel on August 26, 2008, than on November 17, 2005.<sup>13</sup>

Based upon this evidence, we agree that the increase in gasoline prices since the Commission last set the Washington Flyer taxicab interstate base rate supports adoption of a fuel surcharge. Therefore, we will adopt a \$2.50 per trip fuel surcharge as proposed by MWAA and supported by DAT, CAT, and DTS to take effect September 12, 2008.

We note that this Commission is not alone among taxicab rate-setting entities in the region in responding to higher gasoline costs in this fashion. As indicated in the chart below, since the current Washington Flyer rates took effect in 2006, four of the five local

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<sup>11</sup> DAT's March 28 letter also cites a 15.3 percent increase in annual insurance premium costs, from \$3,312 in 2006 to \$3,819 in 2008. While increased insurance premium costs are relevant in a general rate-setting proceeding, we will not factor them into this proceeding, which is limited to consideration of a fuel surcharge.

<sup>12</sup> If the average outbound trip length is 20 miles and 1 out of every 10 outbound trips from Dulles results in a return fare, this means Washington Flyer taxicabs collect approximately 11 paid fares for each 400 miles driven.

<sup>13</sup> Although approximately 85 taxicabs operating in the metropolitan area are hybrid vehicles, all Washington Flyer taxicabs are currently traditional gasoline powered vehicles.

jurisdictions surveyed by the Commission for the purpose of setting Washington Flyer taxicab rates have either increased their own base rates or enacted fuel surcharges or both.<sup>14</sup> The record also shows that Montgomery County and Fairfax County have initiated additional general rate proceedings, to examine whether taxicab rates should be increased in those jurisdictions.

Jurisdiction	Most Recent General Rate Increase	Current Fuel Surcharge in Effect
Alexandria	Dec. 17, 2005	\$1.00
Arlington Co.	Aug. 1, 2008	none
Fairfax Co.	July 20, 2005	\$2.00
Montgomery Co.	Feb. 14, 2006	\$1.50
Prince George's Co.	Sept. 22, 2000	none

Although the \$2.50 per trip fuel surcharge we adopt today is higher than that in any other nearby licensing jurisdiction, we believe this higher surcharge is warranted by the large number of miles driven per paid fare in Washington Flyer taxicabs, resulting from both a long average trip length and frequent deadheading back to Dulles.

One matter deserves discussion. While the price of fuel required to furnish Washington Flyer taxicab service has significantly increased, adoption of a per trip fuel surcharge is not the most equitable way to allocate this increased cost to the riding public. Under a per trip fuel surcharge, all riders must shoulder the increased burden of higher fuel costs, irrespective of the amount of fuel used to service those riders. An increase in the mileage rate, rather than a per trip fuel surcharge, would link any fare increase more directly to the cost of gasoline used to transport individual passengers and more fairly compensate drivers for their actual expenses.

Nonetheless, we adopt this per trip fuel surcharge today as a measure designed to quickly respond to the recent rise in gasoline prices. As the Commission stated in adopting a fuel surcharge in 1990, "[i]t is the Commission's intention to deal swiftly and effectively with this element of the cost of providing service, in a manner that will not needlessly delay relief. The justification for action is both compelling and publicly evident."<sup>15</sup>

### III. EFFECTIVE PERIOD

MWAA has requested that the \$2.50 per trip fuel surcharge be converted into a mileage rate increase after six months and made permanent. However, our approval of the surcharge is based upon evidence of current gasoline prices, and the average cost they add to

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<sup>14</sup> The District of Columbia did not have mileage rates in effect in January 2006, and therefore was not included among those jurisdictions surveyed.

<sup>15</sup> *In re Fuel Surcharge on Interstate Taxicab Rates*, No. MP-90-18, Order No. 3586 at 4 (Nov. 14, 1990).

each trip provided in Washington Flyer taxicabs. No evidence was submitted into the record regarding expected future gasoline prices, which can fluctuate greatly.<sup>16</sup>

Therefore, the surcharge we adopt today shall remain in effect for a temporary period of 180 days. If gasoline prices increase or remain near their current levels as the 180 day period draws to a close, we are willing to consider extending or modifying the surcharge.

We would also note that any permanent increase in the mileage rate is more appropriately the subject of a general rate proceeding which takes into consideration all costs of operating Washington Flyer taxicabs, not just fuel costs.

#### **IV. DISPLAY OF SURCHARGE ON METER**

MWAA has requested that the companies operating Washington Flyer taxicabs be allowed to add the \$2.50 fuel surcharge to the initial "drop charge" which is reflected on the meter at the time a trip is commenced. DTS, DAT, and CAT all filed comments supporting inclusion of the \$2.50 fuel charge as part of a drop charge on the meter rather than treating it as an extra charge. DTS supports this "both to avoid customer confusion and to ensure that the drivers are best able to receive the benefit of the surcharge without it reducing gratuities that make up a significant part of their livelihoods." DAT commented that "[t]here are too many ways for an overcharge to occur if the charge is not placed on the taxi meter." CAT expresses support for including the fuel charge as part of a drop charge but did not explain any rationale for its request.

We find that reprogramming the meters of Washington Flyer taxicabs to increase the initial drop charge would be inconsistent with our approval of a temporary surcharge.<sup>17</sup> An increase in the initial drop charge would not be specifically linked to fuel prices, and is more appropriately the subject of a general rate proceeding. Any customer confusion surrounding implementation of this fuel surcharge can be mitigated by prominently displaying stickers in the passenger cabins of Washington Flyer taxicabs, declaring the amount of the fuel surcharge and its effective dates. Furthermore, while gratuities may comprise a portion of driver compensation, the Commission must focus on setting the rates passengers are obligated to pay, which must reasonably compensate the operators of Washington Flyer taxicabs for their service.

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<sup>16</sup> Despite the overall increase in gasoline prices since 2005, according to the American Automobile Association, regular per gallon gasoline prices in the metropolitan area on August 26, 2008 were 12 percent lower than their level of \$4.10 on July 10, 2008.

<sup>17</sup> See *In re Fuel Surcharge on Interstate Taxicab Rates*, No. MP-90-18, Order No. 3629 (Mar. 15, 1991) (temporary fuel surcharge repealed after regular per gallon gasoline prices fell from \$1.42 to \$1.10).

## V. CONCLUSION

A \$2.50 fuel surcharge shall be prescribed for interstate trips in Washington Flyer taxicabs. Only one surcharge may be collected per trip, irrespective of the number of passengers in the taxicab. The surcharge shall remain in effect for 180 days.

THEREFORE, IT IS ORDERED:

1. That beginning at 4:00 a.m., September 12, 2008, and ending at 4:00 a.m., March 11, 2009, a \$2.50 per trip fuel surcharge shall apply to all interstate trips conducted in a Washington Flyer taxicab, where both the origin and destination are within the Metropolitan District.

2. That beginning at 4:00 a.m., September 12, 2008, and ending at 4:00 a.m., March 11, 2009, notice of this fuel surcharge shall be displayed in a rear passenger window of each Washington Flyer taxicab containing the language specified in Appendix A to this order.

BY DIRECTION OF THE COMMISSION; COMMISSIONERS YATES AND CHRISTIE:



William S. Morrow, Jr.  
Executive Director

Appendix A to Order No. 11,561

Fuel Surcharge

In response to increased gasoline prices, the Washington Metropolitan Area Transit Commission (WMATC) has authorized a \$2.50 per trip fuel surcharge on interstate trips in Washington Flyer taxicabs. Only one fuel surcharge may be assessed per trip. This fuel surcharge shall remain in effect from September 12, 2008, until 4:00 a.m., March 11, 2009.

For more information, contact WMATC at (202) 331-1671 or visit [www.wmatc.gov](http://www.wmatc.gov).